



Comptroller of the Currency  
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# Community Developments

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## Serving Chicago's Mexican-American Community

By Pamela Voss, *President, First Bank of the Americas*



*First Bank of the Americas' "QuickCash" card allows account holders to easily transfer money to Mexico*

It's not intuitively obvious why anyone would want to establish a *de novo* bank in a distressed low-income Chicago neighborhood where the residents generally distrust banks, may not have Social Security numbers and mostly don't speak English. But that's what my husband, David Voss, and I did when we started First Bank of the Americas (FBA) in 1998 in a largely Hispanic community on the South Side.

In FBA's mission statement, we pledged to become "the primary financial institution for the unbanked and fringe-banked citizens of the communities we serve while building capital for our stakeholders." A forward-looking mission statement is all well and good, but it's fair to ask how a bank can serve a low-income community and still make a reasonable profit.

### *Getting started*

The rationale for opening a bank to serve Chicago's Hispanic community was straightforward. Locally as well as nationally, Hispanics are the most rapidly growing segment of the population. From 1990 to 2000, the largely Mexican-American Hispanic population of metropolitan Chicago grew 67 percent, outpacing the 58 percent increase nationwide and passing the 1.5 million population mark. Clearly, the market opportunities for a bank with a mission were tempting.

To raise its initial capital, FBA approached large national banks, such as Bank of America, other banks, and private investors. The response was encouraging. Bank of America, for example, recognized that as a large international bank it isn't geared to meet the needs of local "niche" markets — but it could help to do so by supporting a community development bank that would deliver products and services tailored to the community's needs.

First Bank then received certification as a Community Development Financial Institution (CDFI) in 1998, and the following year received a \$1 million equity investment and a \$100,000 technical assistance grant from the CDFI Fund. This allowed us to purchase a local branch of another financial institution that was not responding to the needs of a changing population. That gave us a significant community presence and a platform for our programs. An additional \$2 million in private capital allowed us to move forward with providing the products and services needed by Hispanic immigrants.

### ***Community-tailored products***

We quickly learned that traditional marketing techniques, such as print and TV advertising, were ineffective. Information in Chicago's Hispanic community flows by word of mouth, and high-tech is less important than "high-touch" — the painstaking process of building relationships of trust.

Practically our first step was to form an advisory board of community leaders. Then, to compete with the so-called "fringe banks" — currency exchanges, payday loan stores and pawn shops — and their seductive "no credit, bad credit, no problem" marketing, we developed programs whose underlying message is that we're a local bank you can trust, offering products and services at fair prices rather than the often predatory pricing of the "fringe banks." We've found a variety of ways to take our programs to the community, and we've recently partnered with another bank, Charter One, to bring our products to more potential clients than we can reach alone.

### ***FBA's community-tailored products and programs include:***

- **ETA Accounts:** FBA provides low-cost accounts to community residents, helping unbanked low-to-moderate-income individuals move into mainstream banking. Savings counselors have been placed at local Social Security offices to open electronic transfer accounts.
- **Faith-based program:** Working with the Catholic Archdiocese of Chicago, FBA has developed "Proteja su Dinero" ("Protect your Money"), a program which counsels parishioners about predatory lending and other unfair financial services and introduces parishioners to FBA staff and programs.
- **Bankstart:** FBA established a school-banking program in 1998. Students at local schools operate banks in their schools with the assistance of FBA staff. They develop an understanding of the importance of savings and become familiar with bank services — and we've found that students like to share their knowledge with their parents at home.
- **English as a Second Language classes:** We partnered with Kennedy-King College to provide an ESL program to the employees of a nearby business which was encountering problems because many of its 300 employees spoke only Spanish. As part of the program, we teach basic financial and money management skills.
- **Entrepreneurs Institute:** FBA teamed with ACCION Chicago and Roosevelt University to create an eight-week program for aspiring entrepreneurs and those who have been in business for less than two years. The program covers everything you need to know to successfully run a small business, and it forges important new relationships for FBA. ACCION Chicago, a micro-lender with an office at FBA, cosponsored over \$1.5 million in loans in 2001.
- **I-TIN program:** Many community residents are undocumented and do not have Social Security numbers. To address this issue, FBA accepts Individual Tax Identification Numbers, and by partnering with the IRS we've been able to dramatically cut the time it takes to issue an I-TIN.

We also accept a *Matricula Consular*, an ID document issued by the Mexican government, as a valid form of photo identification.

- **QuickCash:** Mexican-American immigrants often support relatives at home. Working with the IRS and the Mexican government, we provide a free checking account that expedites the transfer of funds at the lowest possible cost. Two ATM cards are issued to the account holder, who sends one home. The authorized recipient can withdraw money from the account from any Cirrus ATM in Mexico for a \$1.50 transaction fee. We're working with the Mexican government on ways to reach residents who lack access to an ATM machine — and on a program through which our customers could authorize the setting-aside of a small portion of their remittances to support economic development and micro-lending in their home villages.

### ***Who benefits?***

Who benefits from this kind of innovative, yet mainstream, community banking?

First, the people who bank with us are often able to retain \$100 to \$200 per month in additional disposable income by no longer being dependent on predatory lenders. In a low-income household that's real money. Second, we're helping to create community wealth. Chicago's Mexican-American community is largely self-contained, so the extra disposable income is spent right here on the South Side, where it recycles many times. Third, we're helping our customers to support their families in Mexico without being burdened by excessive transfer fees. So the funds they set aside to send home each month go further.

Finally, First Bank of the Americas and our banking and community partners and shareholders benefit by contributing to positive social change. Our bank became profitable in less than three years. Today we have three branches and nearly \$70 million in assets. We believe we're proving that a bank can do well by doing good.

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